

Message Text

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42

ACTION AF-06

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

DODE-00 PA-01 USIA-06 PRS-01 AGR-05 /081 W

----- 085688

R 030656Z APR 75

FM AMEMBASSY MASERU

TO SECSTATE WASHDC 4796

INFO AMEMBASSY GABORONE

AMEMBASSY MBABANE

AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

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CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN, LT

SUBJECT: BUDGET FOR FY 1975/76 PRESENTED

1. SUMMARY: FINANCE MINISTER E. R. SEKHONYANA MARCH 24 PRESENTED BUDGET ESTIMATES FOR FY 75/76 TO INTERIM NATIONAL ASSEMBLY. RECORD BUDGET SET AT \$63,850,000 OF WHICH \$37,556,150 ALLOCATED FOR RECURRING COSTS AND \$24,713,555 FOR DEVELOPMENT WITH BALANCE HELD IN RESERVE. ON DEVELOPMENT SIDE, LESOTHO PLANS TO CONTRIBUTE \$10,323,270 OF ITS OWN FUNDS FOR ITS DEVELOPMENT, WHICH SUBSTANTIAL INCREASE OVER PAST PERFORMANCE. END SUMMARY.

2. LESOTHO'S FY 75/76 BUDGET PROPOSALS PUT BEFORE INTERIM NATIONAL ASSEMBLY MARCH 24 BY FINANCE MINISTER E. R. SEKHONYANA. SEKHONYANA NOTED THAT NEW FINANCIAL YEAR COINCIDED WITH END OF FIRST FIVE-YEAR PLAN AND BEGINNING OF SECOND. HE REVIEWED ACCOMPLISHMENTS UNDER FIRST FIVE YEAR PLAN, SAYING ALL MAJOR GOALS HAD BEEN

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ACHIEVED. HE GAVE AN UNREALISTICALLY OPTIMISTIC VIEW OF LESOTHO'S

ECONOMIC GROWTH, ESPECIALLY IN THE AGRICULTURAL SECTOR.

3. SEKHONYANA NOTED LESOTHO RECEIVING INCREASED AID AND SPECIFICALLY MENTIONED \$2.8 MILLION LOAN FROM ARAB FUND FOR AFRICA ON "VERY SOFT TERMS" AND \$1 MILLION GRANT FROM IRAN.

4. BUDGET TOTAL SET AT \$63,850,000 WHICH REPRESENTS 54 PERCENT INCREASE OVER REVISED TOTAL OF \$46,419,380 FOR YEAR ENDING APRIL 1. MUCH OF INCREASE ATTRIBUTED TO PLANNED SALARY INCREASES FOR CIVIL SERVANTS, TEACHERS, AND CHIEFS (THEIR SALARIES HAVE REMAINED UNCHANGED SINCE 1963) AND PROVISION OF NEW SERVICES, COST OF WHICH TO BE BORNE BY INCREASED REVENUES.

5. SEKHONYANA INDICATED PROJECTED REVENUE WOULD BE COMPOSED OF 38.8 PERCENT INLAND REVENUE AND 60.8 PERCENT CUSTOMS AND ECISE (INCLUDING SHARE OF SOUTH AFRICAN CUSTOMS UNION POOL AND RAND MONETARY ARRANGEMENTS WITH SOUTH AFRICA AND SWAZILAND). EXCEPT FOR RECENTLY-PASSED REVISED SPECIAL (OR DEVELOPMENT) TAX, SEKHONYANA SAID GOL NOT PLANNING NEW TAX INCREASES BECAUSE OF EFFECTS OF INFLATION. HE INDICATED ADDITIONAL, BUT AS YET NOT ESTIMATED, REVENUE WOULD BE DERIVED FROM LOTTERIES AND LIQUOR SALES COMMISSIONS.

6. RECURRENT EXPENDITURE SET AT \$37,566,150. SOCIAL INFRASTRUCTURE (HEALTH, EDUCATION, COMMUNITY AND RURAL DEVELOPMENT) PREDOMINATES IN RECURRENT SUB-BUDGET FOR GOVERNMENT PROGRAMS. THIS REPEATS EMPHASIS OF PREVIOUS YEARS.

7. DEVELOPMENT (CAPITAL) ACCOUNT ESTIMATED AT \$24,713,555 OF WHICH LESOTHO CONTRIBUTING \$10,323,720 (ABOUT 42 PERCENT). THIS IS REMARKABLE INCREASE FROM LESOTHO'S CONTRIBUTION OF \$1,500,000 IN PREVIOUS FINANCIAL YEAR. NEARLY 40 PERCENT OF DEVELOPMENT FUNDS ALLOTTED TO LIVESTOCK AND AGRICULTURE.

8. COMMENT: ALTHOUGH LARGER, 1975/76 BUDGET SIMILAR TO PREVIOUS BUDGETS IN ITS PRIORITIES AND FISCAL CONSERVATION WITH EMPHASIS ON SLIGHT SURPLUS. LESOTHO'S PLANNED INCREASED CONTRIBUTION TOWARDS ITS OWN DEVELOPMENT IS MOST ENCOURAGING ASPECT. MINISTER'S SPEECH STANDS IN MARKED CONTRAST TO LAST YEAR'S BUDGET STATEMENT IN WHICH HE ADMITTED ECONOMY'S FAILURES AND SHORTCOMINGS AND LIMITED OFFICIAL USE

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PAINTED A GENERALLY GLOOMY PICTURE FOR LESOTHO. BEST ESTIMATE FROM KNOWLEDGEABLE SOURCES IS THAT LESOTHO'S GDP HAS DECLINED IN LAST FEW YEARS AND THIS DOES NOT SQUARE WITH SEKHONYANA'S GLOWING SUMMARY. CONSIDER HIS REMARKS TO HAVE BEEN HEAVILY INFLUENCED BY POLITICAL CONSIDERATIONS AT TIME WHEN GOL UNDER CONSIDERABLE FIRE FOR ECONOMY'S POOR PERFORMANCE. END COMMENT.

9. COPY OF SEKHONYANA'S STATEMENT BEING POUCHED TO DEPTT.

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Message Attributes

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